

HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

Minutes of the Board of Trustees

Wednesday, July 21, 2004

TRUSTEES PRESENT

Ms. Katherine Thomason, Chairperson
Ms. Kathleen Watanabe, Vice-Chairperson
Mr. Gerald Machida, Secretary-Treasurer
Mr. Nelson Befitel

Mr. Will Miyake
Mr. John Radcliffe
Mr. Mark Recktenwald
Mr. Stanley Shiraki

TRUSTEES ABSENT

Ms. Joan Lewis
Mr. Dayton Nakanelua

ATTORNEY

Mr. Brian Aburano, Deputy Attorney General

EUTF STAFF

Mr. H. Mark Fukuhara, Administrator
Mr. Bert Nishihara
Mr. Lawrence Nishihara
Ms. Maria Quartero

Ms. Gerti Reagan, Consultant
Mr. Andy Keowen, Consultant
Ms. Kathleen Shiroma

OTHERS PRESENT

Ms. Lynette Arakawa, HDS
Mr. Tracy Ban, B&F
Ms. Sandra Benevides, Kaiser Permanente
Mr. Jack Borja, HMA, Inc.
Ms. Monica Engle, VSP
Ms. Venus Gabuyo, MBAH
Ms. Christine Go, HMA, Inc.
Mr. Melvin Higa, MBAH
Mr. Rick Jackson, MDX Hawaii
Mr. Michael Moss, HMSA
Mr. Norbert Mendes, HDS

Mr. Glenn Nakamoto, DOE
Ms. Gertrude Nitta, HGEA, R
Ms. Susan Pestana, HSTA-MBC
Mr. Joel Reed, Aetna
Mr. Dean Seki, DAGS
Mr. Rod Shinno, HSTA-MBC
Mr. Rod Tam, HMSA
Mr. Myles Taniguchi, The Royal Insurance Agency
Mr. George Yamamoto, HGEA-Retirees
Ms. Lilia Yu Lum, Royal State

I. CALL TO ORDER

The regular meeting of the Board of Trustees was called to order at 9:02 a.m. by Trustee Katherine Thomason, Chairperson, in Conference Room 405, Leiopapa A Kamehameha Building, 235 South Beretania Street, Honolulu, Hawaii, on Wednesday, July 21, 2004.

II. APPROVAL OF MINUTES

Review of minutes for June 24, 2004.

Deferred to the next Board meeting.

III. COMMITTEE REPORTS

A. ADMINISTRATIVE COMMITTEE

Trustee Recktenwald reported:

1. HIPAA Gap Analysis

The analysis for compliance with HIPAA security requirements is under way. Meetings are scheduled for staff in early September 2004.

2. Chicken/Egg Issue

The Benefits Consultant is still researching if other States are statutorily required to have collective bargaining regarding contributions for employee health benefit plans completed by a particular time. They have identified other States that are in a similar situation to the EUTF where there is no statutory requirement that contribution levels be resolved prior to defining benefit levels.

3. Closeout of PEHF

The EUTF should have the final settlement of any surplus for the HMSA and HDS by the 1st week of August and the final financial audit of the PEHF through June 30, 2005 by the September Board meeting. The EUTF staff is looking into the possibility of making the PEHF refunds to current employees or beneficiaries through the payroll and have been meeting with DAGS on this matter.

4. GASB Statement on Financial Reporting for Post employment Benefits

The auditors of the Trust Fund are looking into the issue of whether we are a defined contribution or defined benefit plan which would have significant consequences for how the EUTF would be required to account for future liabilities when these requirements are imposed at the end of 2006.

5. Act 184 Relating to Public Employee Health Benefits

This Act clarifies our existing practice regarding retirees who have a break in service and return to service. There is a requirement that we notify employees about the options provided under this Act, which the EUTF is doing through the benefit books distributed to employees.

6. Staffing Requirements for Next Biennium

A proposal was submitted by the Administrator to extend the EUTF staff from 23 to 34, which will be done through the budget process in the upcoming fiscal biennium. It includes two new customer service positions, three IT positions which would replace the ICSD employees as well as give the EUTF additional capabilities for employees to handle enrollment and to cover work currently done by management employees, one position to handle the daily event maintenance and payroll processing function, and one position to do the imaging processing. The Administrative Committee directed the EUTF staff to submit a detailed budget projection on the costs and any additional back up regarding the reasons for adding these positions and report back to the Administrative Committee next month.

7. Legislation

Proposals currently being contemplated should be brought to the attention of the Administrative Committee so discussion can start at the next Committee meeting.

B. BENEFITS COMMITTEE

Trustee Radcliffe reported:

1. Benefits RFP

No action taken. A meeting is scheduled for Wednesday, July 29, 2004, 9 a.m. to make a decision on the draft request for proposal.

2. State Procurement Requirements

A presentation was given by the State Procurement Officer, Aaron Fujioka. Discussion to be held after Mr. Fujioka does his presentation for the Board.

IV. OTHER REPORTS

A. ADMINISTRATOR

Administrator's Update/Report (see handout)

Mr. Mark Fukuhara reported:

1. Royal State Payments/OCB Agreement/UPW-UHPA Employer Contribution

Trustees were given a memorandum from OCB dated July 20, 2004 signed by Harold DeCosta that addresses the issue of the status of the collective bargaining agreement and the dual coverage medical plan. Chair Thomason, Trustee Shiraki, Mark Fukuhara, Brian Aburano, and Wanda Kimura attended a meeting last week with OCB to discuss the appropriate action to be taken going forward. The staff submitted two vouchers to Budget and Finance for the dual coverage payment to Royal.

2. As directed by the Board, in an effort to keep the counties informed, the Administrator attended a meeting of the Council of Personnel Directors and gave a brief update regarding the EUTF.

3. Sunshine Law Training

Trustees are invited to attend the Sunshine Law Training workshop on August 5, 2004 from 9:00 a.m. to 12 noon.

4. IFEBP 50th Annual Employee Benefits Conference

The staff is processing approval to send the 10 trustees and 2 staff members. The estimated cost is \$33,000.00 and final arrangements will be made pending approval. Budget and Finance has requested that the trustees and staff submit a selection of classes form indicating the sessions that they would like to attend. Discussion held by Trustees and staff regarding concerns about Budget and Finance's authority; why they are required to complete the selection of classes form; and certification is provided by the IFEBP when attendees attend a certain numbers of sessions. The Administrator will inquire with Budget and Finance if a certification by the IFEBP is acceptable.

B. DEPUTY ATTORNEY GENERAL

Mr. Aburano reported:

1. Domestic Partnership Tax Issues

A telephone conference call was held with Mark Fukuhara and John Schembari, private tax counsel retained to advise the Board, regarding tax and related issues resulting from the EUTF's enrollment of domestic partners. Mr. Schembari is reviewing the EUTF administrative rules, written materials, and forms, and will submit a memorandum and some suggested revisions to the rules and/or forms by the end of this month or early next month. If the Trustees have any questions, a telephone conference call with Mr. Schembari could be scheduled. Chair Thomason would like the Board to have time to review any recommendations regarding forms prior to the end of the payroll year so any effect on W2's could be addressed.

C. BENEFITS CONSULTANT

Ms. Reagan reported:

1. Garner Consulting Bulletin for June 2004 (see handout)

There is nothing pertinent to the EUTF in this bulletin. She noted that the Supreme Court did rule about a Texas law that allowed HMOs to be sued for malpractice and their decision was that the law was preempted by ERISA. The IRS has issued more guidance about Health Savings Accounts.

D. CARRIER'S REPORTS

1. Hawaii Dental Service

Written report submitted.

2. HMSA

Written report submitted.

3. Kaiser Permanente

Written report submitted.

4. Royal State National Insurance Co., Ltd.

Written report submitted.

5. VSP

Written report submitted.

V. UNFINISHED BUSINESS

A. Kaiser Active Employee Rates Effective 7/1/04

MOTION was made for the Board to approved the Kaiser active employee rates effective 7/1/04. (Radcliffe/Shiraki) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)

VI. NEW BUSINESS

A. New Committee and/or Changes to Committee Members

Discussion held by Trustees and staff regarding new committees and/or changes to committee assignments.

MOTION was made to create a Selection Committee. (Watanabe/Miyake) After discussion held by Trustees and Deputy Attorney General regarding the scope of authority of the proposed committee, an amended motion was made.

AMENDED MOTION was made to create Selection Committee for purposes of making a selection of a new administrator to be comprised of two members from the Employer Trustees (Trustees Recktenwald and Watanabe) and two members from the Employee-Beneficiary Trustees (Trustees Miyake and Radcliffe). (Radcliffe/Miyake) After discussion by the Trustees and the Deputy Attorney General, the motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)

B. Attendance of Trustees at Meetings

Mr. Aburano reported that HB1765 that recently became law provides that the term of any State Board member shall expire upon failure of the member without valid excuse to attend three consecutive meetings duly noticed to all members of the Board where the Board failed to constitute quorum. The Chair or Acting Chair is the person that determines if the absence of a member is excusable. Mr. Aburano stated that if there is a Board member that fails to attend three consecutive meetings without excuse and the Board cannot constitute a quorum at those meetings, that member's term shall automatically expire.

C. State Procurement Requirements

Presentation by Mr. Aaron Fujioka regarding procurement options. A Request for Procurement Services form was given to the Trustees and Mr. Fujioka pointed out page 5 regarding the policies and procedures of the State Procurement Office (SPO) and the respective roles and responsibilities of the SPO and procuring agencies such as the EUTF.

MOTION was made upon the recommendation of the Benefits Committee for the Board to approve to utilize the SPO "Request for Review Services for Invitation for Bids and Request for Proposals Goods and Services" for the Benefits RFP and to provide comments by Wednesday, July 28, 2004. After discussion held by the Trustees and Deputy Attorney General, the motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)

Trustee Radcliffe left at 10:03 a.m.

Recessed at 10:04 and Reconvened at 10:11 a.m.

Discussion held by Trustees, consultant, and Mr. Fujioka regarding contract award dates.

Mr. Fukuhara asked that the Board consider the following: (1) to authorize the EUTF to release to the public and to post on the EUTF website the draft RFP; and (2) MBAH is requesting that the Board confirm that if the Board proceeds with the RFP that the contract with MBAH would terminate effective June 30, 2005.

MOTION was made for the Board to authorize the release of the draft RFP to the public and to post on the EUTF website. (Radcliffe/Miyake) Discussion held by Trustees, staff, consultant, and Mr. Fujioka about concerns regarding the release of the draft RFP. After discussion by the Trustees, the motion passed. (Employer Trustees-Yes 4-Trustees Befitel, Recktenwald, Shiraki, Thomason, No 1-Trustee Watanabe/Employee-Beneficiary Trustees-Yes 3-Trustees Machida, Miyake, Radcliffe)

Discussion held by Trustees and staff regarding existing contracts and if MBAH's contract would terminate if the Board proceeds with an RFP. Mr. Aburano stated that there is nothing in the existing carrier contracts that says that the issuance of an RFP automatically terminates those contracts, but there is a provision in the contracts that says that if the EUTF intends to extend the contracts the EUTF needs to give the carriers notice by a certain date. Mr. Aburano and the Administrator will review this issue and prepare a response to MBAH.

D. Financial Report as of May 31, 2004

Overview by Mr. Bert Nishihara regarding the financial report as of May 31, 2004 (see report).

Mr. Fukuhara gave an update regarding Royal State's premium payments, some contracts that have not been received that address employer contributions for the Royal State dual coverage plan, and Mr. Hong's response dated July 20, 2004. Mr. Aburano explained that there is a problem in making partial payments to Royal State when we do not have an executed contract with it. Mr. Aburano explained why the Royal State contract was not executed and noted certain discussions he has had trying to resolve this matter. Further discussion held by Trustees, staff, and public regarding the payment and contract issues with Royal State. Mr. Fukuhara recommended that the Board authorize the Administrator to submit a payment voucher for HGEA and HFFA members.

MOTION was made for the Board to authorize the Administrator to submit a voucher to make payment for HGEA and HFFA members. (Miyake/Radcliffe) The motion passed unanimously. (Employer Trustees-5/Employee-Beneficiary Trustees-3)

E. Computer Hardware, Software and Professional Services Update

Ms. Shiroma gave an update regarding the computer hardware, software, and professional services (see report). Information regarding upgrading of existing servers will be submitted at the next Board meeting. Malanaphy Contracting has been awarded the contract to assist the EUTF for business reviews for the upgrade to PeopleSoft implementation and they are currently on site. A draft RFP will be submitted for review at the next Administrative

Committee and Board meeting. Discussion held by Trustees and staff regarding the procedures of the RFP.

F. Update on Recruitment for Administrator

Mr. Fukuhara reported that the advertisement was in the newspaper and eight applications have been received for the recruitment of an Administrator and stated that Budget and Finance has volunteered to review the applications. Trustee Watanabe recommends that Budget and Finance review the applications and has also volunteered her staff at DHRD. Discussion held by Trustees regarding Budget and Finance and DHRD reviewing the applications and the deadline to submit applications. Trustee Watanabe stated that a meeting with the Selection Committee will be scheduled for next week. By consensus of the Trustees, the Administrator is authorized to run the advertisement on Sunday, July 25, 2004.

Mr. Fukuhara announced that August 9, 2004 will be his last day, and he will submit a letter in writing.

Mr. Recktenwald acknowledged Mr. Fukuhara's service, all that he has done for the Board, and appreciates that he stayed on in helping in the transition.

VII. COMMUNICATIONS FROM THE PUBLIC AND INPUT FROM ATTENDEES: None

VIII. FUTURE AGENDA ITEMS AND NEXT MEETING DATE

Regular Board meeting scheduled for Wednesday, August 17, 2004, SOT room 405.

IX. EXECUTIVE SESSION

MOTION was made to go into Executive Session at 11:09 a.m. to consult with the board's attorney on the Awakuni and O'Gorek lawsuits and questions and issues pertaining to the board's powers, duties, privileges, immunities, and liabilities pertaining to recruitment of the EUTF administrator, and related matters affecting privacy. (Recktenwald/Watanabe) The motion passed unanimously. Employer Trustees-5/Employee-Beneficiary Trustees-3)

MOTION was made to move out of Executive Session. (Watanabe/Recktenwald) The motion passed unanimously. Employer Trustees-5/Employee-Beneficiary Trustees-3)

Executive Session adjourned at 11:20 a.m.

X. ADJOURNMENT

MOTION was made to adjourn the regular meeting. (Watanabe/Recktenwald) The motion passed unanimously. (Employer trustees-5/Employee-Beneficiary trustees-3)

The meeting was adjourned at 11:20 a.m.

Respectfully submitted,

/s/

Gerald Machida, Secretary-Treasurer

APPROVED on June 22, 2005.

Documents Distributed:

1. Draft Minutes for 6/24/04. (10 pages)
2. Administrator's Update/Report dated 7/21/04. (1 page)
3. Garner Consulting Bulletin for June 2004. (2 pages)
4. EUTF Statement of Net Assets for 5/31/04, Unaudited dated 7/21/04. (1 page)
5. EUTF Combined Statement of Revenues and Expenses – budget & Actual Comparison, 11 Months Ended 5/31/04 (Unaudited) dated 7/21/04. (2 pages)
6. Computer Hardware, Software and Professional Services Update dated 7/21/04. (1 page)
7. State of Hawaii, SPO "Request for Procurement Services (Goods & Services)" form. (9 pages)
8. Letter from George Butterfield regarding Mr. Fukuhara's resignation dated 6/21/04. (2 pages)
9. Memorandum from OIP regarding Sunshine Law Training dated 7/13/04. (1 page)
10. OIP Openline for May-June 2004. (2 pages)
11. Request for Proposal (RFP) Solicitation and Award Process